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THE WEEKLY OF
BUSINESS AVIATION

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GAMA TO REAGAN: VIABILITY OF GENERAL AVIATION INDUSTRY IS AT RISK

General Aviation Manufacturers Association, in a letter to President Ronald Reagan, has urged him to reject proposed tax changes that would eliminate the investment tax credit (ITC) and extend the accelerated cost recovery schedule (ACRS) from five to 12 years. Those changes were proposed in a "tax simplification" package prepared by the Treasury Department *(BA, Dec. 3/177)*.

The letter, approved by GAMA's board of directors, cited a study by Data Resources Inc. that found "the after-tax cost of using capital for aircraft acquisitions under the Treasury proposal, would increase 12.3 percent per year," resulting in "a slowdown in economic growth, productivity and employment." The GAMA letter, *which is reprinted on the back of Pages 42-43*, said, "History show that in 1966-67 and again in 1969-71, when investment credit was denied, the negative impact on business was dramatic. We, as an industry, face much greater challenges today than we did then. In fact, the viability of an American institution—the general aviation industry—is at risk. We need your help."

DOT BUDGET WOULD ELIMINATE EAS, TRUST FUND PENALTY PROVISION

Fiscal 1986 budget proposal by the Transportation Department seeks elimination of the Essential Air Service program DOT just inherited from the Civil Aeronautics Board, along with a Congressionally mandated safeguard designed to insure that FAA airport and facilities and equipment programs are fully funded. While the budget proposal calls for spending nearly the same amount of money on FAA programs in fiscal 1986 as in fiscal 1985, legislation to be offered by DOT would eliminate a requirement that now limits the amount of money available from the Aviation Trust Fund for FAA operations and maintenance if spending for hardware programs falls below Congressionally authorized levels.

Transportation Secretary Elizabeth Dole, reflecting the White House theme that "we should return to the private sector those transportation functions best managed in the free market," said "federal funds should be devoted only to those needs that are truly national in scope or that cannot be met by state and local authorities." Congress authorized continuation of the EAS program through fiscal 1988 when it passed the Airline Deregulation Act, but Dole defended termination of the program in the coming fiscal year. She said EAS "was a bridge from a regulated to a deregulated environment" and that communities receiving EAS service "have had an opportunity to adjust." She also said that one half of the points receiving EAS service are within 100 miles of an alternate airport.

DOT is requesting a total of $5.1 billion for FAA in 1986, down $200 million from the $5.3 billion in the current fiscal year. Proposed spending for major program areas, with fiscal 1985 amounts in parentheses, are: operations and maintenance, $2.65 billion ($2.60 billion); airport grants, $1.01 billion ($987 million); facilities and equipment, $1.14 billion ($1.36 billion); and, research, engineering and development, $196 million ($265 million). Total spending for those programs would be $4.996 billion, of which $4.336 billion, or 86.7 percent, would come from the Aviation Trust Fund, which is funded by various taxes on aviation users. Of the total $5.13 billion FAA budget, $4.4 billion, or 85.7 percent would come from the Trust Fund—including $49 million to help defray the $85 million cost of FAA headquarters administration—

(Continued on the following page)

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AIRPORT AND AIRWAY TRUST FUND
Status As Of Nov. 30, 1984

	CURRENT MONTH	FISCAL YEAR TO DATE
I. BALANCE - BEGINNING OF PERIOD	6,556,558,204.21	6,440,835,770.41
II. RECEIPTS:		
A. Excise Taxes (Transferred from General Fund) :		
Any liquid fuel except gas	2,827,299.00	9,827,299.00
Tires used on aircraft	0.00	0.00
Tubes used on aircraft	0.00	0.00
Gasoline		
1. Commercial 9 cents tax	217,000.00	449,000.00
2. Non-commercial 9 cents tax	1,135,384.00	3,627,384.00
3. Non-commercial 3 cents tax	-73,872.00	757,128.00
4. Transp by air,seats,berths,etc.	215,460,730.00	418,460,730.00
Use of international trav fac	7,559,424.00	15,559,424.00
Transp of property and cargo	9,535,089.00	24,535,089.00
Total Tax Receipts	236,661,054.00	473,216,054.00
B. Less Reimbursement to General Fund - Refund of Taxes and Estimated Tax Credits :		
1. Civil aircraft	333.00	333.00
2. Any liquid fuel except gas	2,346,988.00	2,346,988.00
3. Gasoline -Retailer's tax	537.00	537.00
Total Reimburse for Tax Refunds	2,347,858.00	2,347,858.00
Net Tax Receipts	234,313,196.00	470,868,196.00
C. Interest on Investments	11,589,763.21	14,701,294.52
Net Receipts	245,902,959.21	485,569,490.52
III. EXPENDITURES :		
A. Federal Aviation Administration :		
1. Operations	104,999,930.34 1/	104,999,850.39
2. Grants-in-aid for airports	71,282,823.84	152,575,933.76
3. Facilities & equipment	31,958,905.38	57,864,266.58
4. Research engineering & development	18,000,029.02	34,745,735.36
B. NOAA weather services	0.00	0.00
C. Interest on Refund of Taxes	47.00	47.00
Total Expenditures	226,241,735.58	350,185,833.09
IV. BALANCE - END OF PERIOD	6,576,219,427.84	6,576,219,427.84
ASSETS :		
Undisbursed Balances:		
Airport & Airway Trust Fund	940.33	
Operations	4,036.68 1/	
Grants-in-aid for Airports	16,088,989.45	
Facilities & Equipment	4,476,243.12	
Research Engineering & Development	5,022,218.26	
NOAA weather services	0.00	
		25,592,427.84
Investments :		
U.S. TREASURY CERTIFICATES OF INDEBTEDNESS :		
11-1/4% maturing June 30, 1985	236,009,000.00	
11-1/8% maturing June 30, 1985	5,840,405,000.00	
11-3/8% maturing June 30, 1985	474,213,000.00	6,550,627,000.00
Total Assets		6,576,219,427.84
LIABILITIES:		0.00
EQUITY:		
Excess of Assets over Liabilities		6,576,219,427.84
Total Liabilities and Equity		6,576,219,427.84

1/ Does not agree with TFS-6653 due to processing error

Treasury Department Chart